

VZCZCXRO7623
RR RUEHBC RUEHDH RUEHKUK RUEHROV
DE RUEHLB #0075/01 0260443
ZNR UUUUU ZZH
R 260443Z JAN 10
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC 6408
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RHEHAAA/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC

UNCLAS SECTION 01 OF 02 BEIRUT 000075

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [ECIN](#) [EFIN](#) [PGOV](#) [LE](#)

SUBJECT: LEBANESE DISCUSS ENTREPRENEURSHIP AT AMBASSADOR'S
ROUNDTABLE (ECONOMIC WEEK IN REVIEW, DECEMBER 28 2009 - JANUARY 24,
2010)

CONTENTS

-- LEBANESE DISCUSS ENTREPRENEURSHIP AT AMBASSADOR'S ROUNDTABLE
-- TRIPOLI BUSINESS INCUBATOR EXPANDING ACTIVITY
-- HARIRI SIGNS TOURISM, ECONOMIC AGREEMENTS WITH TURKEY
-- PM'S ECONOMIC ADVISOR UPBEAT ABOUT 2010 PROSPECTS
-- LEBANON IMPROVES IN 2010 ECONOMIC FREEDOM INDEX
-- LEBANON AND CHINA SIGN GRANT AGREEMENTS WORTH \$6.6 MILLION
-- IT SECTOR EXPECTED TO REACH OVER \$270 MILLION IN 2010
-- TELECOMS MINISTRY TRANSFERS OVER ONE BILLION DOLLARS TO TREASURY

LEBANESE DISCUSS ENTREPRENEURSHIP
AT AMBASSADOR'S ROUNDTABLE

11. (SBU) Ambassador Sison held a roundtable discussion January 14 on ways to encourage the culture of entrepreneurship in Lebanon with 19 leaders from the private sector and civil society. In a lively discussion, participants noted the need for political and security stability; greater publicity for successful Lebanese entrepreneurs; instilling entrepreneurial values via the educational system; and encouraging accountability, transparency, and tax incentives for start-ups. Out of the 19 participants, seven will participate in the Presidential Entrepreneurship Summit hosted by President Obama in Washington, DC, in April 2010.

TRIPOLI BUSINESS INCUBATOR
EXPANDING ACTIVITY WITH EU GRANTS

12. (SBU) The director of the Business Incubator at Tripoli (BIAT), Fawaz Hamidi, told us he is expecting a grant of about 800,000 euros from the EU to support BIAT's projects to support entrepreneurship. With these funds, he hopes to open an industrial space and an innovation center at the Tripoli Chamber of Commerce, Industry and Agriculture. BIAT also wants to provide space for small manufacturing facilities in the food and pharmaceutical cosmetics sectors. BIAT has already used a 700,000-euro EU grant to encourage start-ups.

13. (SBU) Hamidi also said the president of the union of three municipalities in northern Lebanon (Tripoli, Mina, and Baddawi) and the Mayor of Tripoli are working with the World Bank on a city development strategy (CDS), which he expected would be completed within five months. Hamidi, who is the economic expert on this project, told us the Tripoli Special Economic Zone (a project for which USAID is funding a feasibility study) could be one strategic project under the CDS.

HARIRI SIGNS TOURISM, ECONOMIC
AGREEMENTS WITH TURKEY

14. (SBU) During PM Hariri's three-day visit to Turkey from January 10-12, Hariri discussed the possibility of Turkey supplying excess electricity to Lebanon through an agreement with Syria, Hariri economic advisor Hazar Caracalla told us. The Turkish side promised to study the matter, she added.

15. (SBU) The PM's visit to Turkey led to the signing of a tourism and economic agreement, abolishing the need for visas between both countries. This will benefit the Lebanese, as press reports estimate that about 600,000 Lebanese travel to Turkey annually. Lebanon and Turkey also signed agreements in the fields of security and health and ratified three MOUs on maritime rights, agriculture, and forest protection. Caracalla noted she expected a new round of negotiations for an FTA with Turkey to take place in March 2010.

PM'S ECONOMIC ADVISOR UPBEAT
ABOUT 2010 PROSPECTS

16. (SBU) Caracalla was upbeat about the Lebanese economy and said 2010 appeared promising at all levels. She attributed her optimism to the current political and security stability, as well as positive macroeconomic indicators in 2009. She stressed the PM was committed to implementing the ministerial statement by placing the environment, energy efficiency, and technology development high on his agenda. Hariri was keen to raise these priorities in all his visits abroad, she said. Caracalla added the GOL needed to increase capital spending on infrastructure to sustain growth, and noted that the finance minister would resort to additional revenue measures and/or approach donor countries in order to maintain fiscal stability. Caracalla said the PM was keen to act quickly on his

BEIRUT 00000075 002 OF 002

economic priorities because, based on previous experience, harmony in the cabinet did not usually last long.

LEBANON IMPROVES IN 2010
ECONOMIC FREEDOM INDEX

17. (U) Lebanon ranked 89 out of 179 countries worldwide and 9 out of 17 MENA countries in the 2010 Heritage Foundation Index of Economic Freedom. This constituted an improvement of 6 places worldwide, while it remained unchanged in the region compared to 2009. Lebanon was considered 59.5% free, compared to 58.1% last year. Lebanon's ranking was attributed to improvements in investment freedom, financial freedom, and trade freedom, while its noted strengths remained in the trade (with a low-weighted average tariff rate), fiscal (with a low overall tax burden), monetary and financial freedom categories. The index evaluates ten broad factors of economic freedom: business, trade, fiscal, monetary, investment, financial, labor, as well as government size, property rights and freedom from corruption.

LEBANON AND CHINA SIGN GRANT
AGREEMENTS WORTH \$6.6 MILLION

18. (SBU) President of the Council for Development and Reconstruction (CDR), Nabil Jisr, and the Chinese ambassador to Lebanon signed two grant agreements for economic and technical assistance of totaling approximately \$6.6 million on January 14. CDR Director of Funding Dr. Wafa Charafeddine told us the use of the grants would be determined later. She believed the grants would be used to supply Chinese-made equipment to public entities, similar to previous grants. Last year, China donated solar heaters to residences damaged in south Lebanon, while in 2008 it provided equipment to Ogero, the publicly owned telephone company, she said.

IT SECTOR EXPECTED TO
EXCEED \$270 MILLION IN 2010

19. (U) The information technology (IT) sector in Lebanon is expected to reach \$276 million in 2010, up 5.7% from 2009, according to

Business Monitor International (BMI). The report noted a number of developments in the sector in 2009, including GOL plans for partial privatization in the sector and the computerization of the public healthcare system. However, the country failed to reach its true potential in the sector because of important challenges that remained, such as political, economic, and security stability, in addition to proper infrastructure. BMI noted that SMEs, which account for most of the 700,000 businesses in Lebanon, could play an important role in the sector, although it singled out lack of access to finance as a major barrier for business. In its ministerial statement, the GOL committed to developing the IT sector and providing broadband services for the entire country.

TELECOMS MINISTRY TRANSFERS
OVER ONE BILLION DOLLARS TO TREASURY

¶10. (U) The Ministry of Post and Telecommunications (MPT) announced the transfer of over \$1.2 billion to the state treasury for 2009, \$23 million more than in 2008. Transfers from the telecom sector are among the largest sources of revenue to the treasury, along with revenues from value-added tax (VAT), income tax and excise tax.

SISON